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Executive Registry

7882

NSC BRIEFING

19 November 1953

INDONESIA

I. Increasing trend toward breakdown government authority. Due:

A. Inexperience in government -- inability to run Federal system and over-centralization; unrepresentative character of Parliament; vast dispersion of territory and diversity of its peoples. Growth of Communist influence. (Hard tell chaos from Communism -- Communism more indigenous than Moscow/Peiping fomented but latter are beneficiaries.

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II. Parliamentary situation:

*Nine*

^ Members appointed Electoral Commission  
(excluding present opposition parties).

Planning elections for 1955 -- in free  
elections Masjumi and allies would probably  
win.

25X1X6yyyyyyyyyyyyyyyyyy

III. Government not Communist

yyyyy  
yyyyy

25X1X6N2

8 of 20 ministers probably fellow-travellers  
and balance tend to be neutralists <sup>as</sup> ~~half~~  
between West and Moscow Peiping axis.  
"Popular front" government in which  
Commies have blackmailing position.

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- A. Minister of Defense pro-Commie cutting power of Chief of Staff and other leaders friendly to Masjumi.  
(Refer revolt plots by Masjumi and Army).
- B. Labor Ministry virtually taken over by Pro-Commie labor federation.
- C. Trade mission sent Peiping and Embassy Moscow to be opened.
- D. General trend toward replacing friends of West by pro-Commie and neutralist elements.
- E. Sukarno retains great influence but goes along with neutralist trend and feels can maneuver Commies.

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IV. Internal Security situation bad.

A. Atjehnese rebellion.

Darul Islam terrorism West and

Central Java.

*Dissidents*

~~Dissolution~~ in Celebes. (Djakarta can't

control on centralized basis -- doesn't

dare decentralize.)

V. Foreign problems:

A. West New Guinea (Irian problem with  
Dutch and Australia).

B. Chinese Commies bidding for rubber --  
so far resisted.

C. US, as major customer, bears blame  
for fall in rubber and tin prices and  
shares unjustly the attacks directed  
against "Colonial" powers.

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CONCLUSION:

If we let nature take its course, increasing

chaos and increasing Communist influence

probable, ~~unless~~ <sup>necessary</sup> definite measures ~~taken~~

to reverse trend through installing

pro-West government.

Sukarno (52) - formerly PNI (Nationalist); now supposed as President to be above party lines; actually is on most matters.

Hatta (51) - Vice President - formerly PNI, now close to Masjumi - is particularly liked in Sumatra. Has left political affairs in preference for economic projects: Cooperatives, Java Bank (Indo bank of Issue), etc.

"Let-alone" Agreements -- Negotiated 1948 between Indonesian government and Stanvac (to end 1951), Caltex (to end 1952), BPM (Dutch Shell) (to end 1955).

Agreements exempted oil producers from restrictions of foreign exchange controls in return for companies' use of own dollar exchange in rehabilitation of oil installations, and commitment to supply the local economy's oil needs at favorable prices (a subject of some controversy).

Agreements arose from fact that equipment to rehabilitate oil facilities had to come from dollar area while bulk of oil sales went to Sterling area, so Indonesian government had to rely on oil companies' dollar balances for rehabilitation.